

MULTIMEDIA



UNIVERSITY®

STUDENT ID NO

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# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

TRIMESTER 3, 2018 / 2019

### BAC 1624 – MANAGEMENT ACCOUNTING 1

(All Sections/Groups)

1<sup>st</sup> June 2019  
9.00AM - 12.00PM  
(3 Hours)

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#### INSTRUCTIONS TO STUDENT

1. This question paper consists of **FIVE** pages (excluding cover page) with **FIVE** questions only.
2. Answer **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Write your answers and workings in the Answer Booklet provided.

**QUESTION 1**

Dora Explorer Sdn. Bhd. is a newly formed firm that conducts marine research in the Gulf of Mexico for contract customers. Organizationally, the firm is composed of two department, namely Offshore Operations and Lab Research. In the first month of operation (March 2019), the company managed to secure 3 jobs, namely Job#1, #2 and #3.

Offshore Department is responsible for gathering test samples and drilling operations on the ocean floor. The Lab Research Department is responsible for analysis of samples and other data gathered by Offshore Department.

Dora Explorer contracts with its customers on a cost-plus basis; that is the price charged equal to 10 percent of costs. Overhead is applied at Offshore Operations Department at a rate of RM2,000 per hour of research vessel use (RVH). In the Lab Research Department, overhead is applied at a rate of RM45 per professional labor hour (PLH). In the month of March 2019, significant transactions are summarized here:-

No.	Transactions
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- 1 Materials and test components were purchased on account for RM110,000.
- 2 Materials were requisitioned for use in the three research projects by the Offshore Operations Department (all of these materials are regarded as direct). Job #1- RM40,000; Job # 2-RM28,000; and Job # 3- RM10,000. Materials were issued to Lab Research Department: Job#1- RM8,000; Job#2-RM6,000; Job#3-RM4,500.
- 3 The time sheets and payroll summaries indicated the following direct labor costs were incurred:

	Offshore Operations	Lab Research
Job#1	RM60,000	RM56,000
Job#2	RM50,000	RM20,000
Job#3	RM45,000	RM16,000

- 4 Indirect research costs were incurred in each department:

	Offshore Operations	Lab Research
Labor	RM120,000	RM10,000
Utilities/Fuel	RM290,000	RM5,000
Depreciation	RM330,000	RM80,000

- 5 Overhead was applied based on predetermined overhead rates in effect in each department. Offshore Operations had 360 RVHs (170 RVH on Job#1; 90 RVHs on Job#2; and 100RVHs on Job#3) and Lab Research worked 2,300 PLHs (1,400 PLHs on Job #1; 500PLHs on Job # 2; and 400 PLHs on Job # 3) for the year.
- 6 Job # 1 was completed and was sold for the agreed-on price on cash. At the end of the month, Jobs # 2 and # 3 were only partially completed.
- 7 Any under-applied or over-applied overhead is assigned to Cost of Goods Sold.

**Continued...**

**Required:**

Prepare journal entries to record the above transactions. Show workings where necessary.

(20 marks)

**[TOTAL 20 MARKS]****QUESTION 2**

Aiskrim Malaysia Sdn.Bhd. processes and packages ice-cream. The following data are available. Conversion activity occurs uniformly throughout the production process. The company use first in first out (FIFO) in its costing method.

Work in process : June 1 <sup>st</sup> – 15,000 units	
Direct Material : 100% complete	RM16,250
Conversion : 90% complete	RM85,000
Units completed during June and transferred out to finished goods inventory	190,300
Work in process: June 30 <sup>th</sup> :	45,200
Direct Material : 100% complete	
Conversion : 75% complete	
Cost incurred during June:	
Direct Material	RM165,085
Conversion Costs:	
Direct Labor	RM76,300
Applied manufacturing overhead	RM235,534

**Required:**

- Compute the units started into production during June. (2 marks)
- Compute the equivalent units of production for materials and conversion for June. (4 marks)
- Show the assignment of cost to the units completed and in-process at the end of June. *(Please round your answers to two decimal places)* (9 marks)
- Journalize the transfer of costs to finished goods inventory. (2 marks)
- Explain the flow of costs in a process cost system, involving few processing departments. (3 marks)

**[TOTAL 20 MARKS]****Continued...**

**QUESTION 3**

Berjaya Berhad manufactures two products, namely A1 and A2 using the same plant and processes. The following information relates to production period:

Product	Volume (Units)	Material Cost per unit (RM)	Direct Labor hours per unit	Machine hours per unit	Labor cost per hour (RM)
A1	500	5	1.0	0.25	3
A2	5,000	5	1.5	0.50	3

The total production overheads recorded by the cost accounting system is analysed under the following headings:

Costs	RM
Set-up	4,355
Ordering	1,920
Material handling	7,580
Administration of spare parts	8,600

Currently, Berjaya Berhad uses machine hours as a basis in absorbing overheads into their products. However, the managing director of the company is dissatisfied with the current method used in factory. As the Junior Accountant of the company, your investigation into the production activities for the period revealed the followings:-

Products	No of set-ups	No. of materials order	No. of material moves	No. of spare parts
A1	1	1	2	2
A2	6	4	10	5

**Required:**

- Compute the manufacturing cost per unit for each product using traditional costing method (*Please round your answers to two decimal places*).  
(3 marks)
- Compute the manufacturing costs per unit for each product using activity based costing method (*Please round your answers to two decimal places*).  
(10 marks)
- Compare and comment your answers in (a) and (b) above.  
(5 marks)
- Explain the benefits and limitations of activity based costing.  
(2 marks)

**[TOTAL 20 MARKS]**

**Continued...**

**QUESTION 4****PART A**

Orange Manufacturing's sales slumped badly in 2018 due to so many people purchasing gifts online. The company's income statement showed the following results from selling 250,000 units of product, with net sales of RM1,062,500; total costs and expenses are RM1,250,000 and net loss RM187,500. Costs and expenses consisted of the following:

	<u>Total</u>	<u>Variable</u>	<u>Fixed</u>
Cost of goods sold	RM1,000,000	RM650,000	RM350,000
Selling expenses	100,000	25,000	75,000
Administrative expenses	<u>150,000</u>	<u>75,000</u>	<u>75,000</u>
	<u>RM1,250,000</u>	<u>RM750,000</u>	<u>RM500,000</u>

Management is considering the following alternative:

- i. Purchase new automated equipment that will change the proportion between variable and fixed expenses to 45% variable and 55% fixed.

**Required:**

- (a) Compute the break-even point in dollars for 2018.

(4 marks)

- (b) Compute the break-even point in dollars under the alternative course of action.

(4 marks)

**PART B**

Berjaya Wholesale Sdn. Bhd. sells toys. The Accountant, Ms. Yee has prepared semi-annually budgeted sales revenues for year 2020 which are as follows:-

	<u>Estimated Sales Revenues</u>
January	RM110,000
February	150,000
March	180,000
April	160,000
May	120,000
June	70,000

Based on the company's past experience, it indicates that eighty percent of sales each month are on credit and that collection of credit sales follows the following pattern: Sixty percent in the month of sale, thirty percent in the month following the sale, and five percent in the second month following the sale. The other five percent is uncollectible.

**Continued...**

**Required:**

Prepare a schedule of cash collection for the month of April until June, 2020.

(12 marks)

**[TOTAL 20 MARKS]**

**QUESTION 5**

Sino Lab Sdn Bhd. ("SLSB") provides disease testing for animal, especially goat for both regional and national government agricultural agencies. The prices are strictly regulated and controlled as the company are dealing with government agencies. As such, SLSB must constantly monitor and control its testing costs. Shown below are the standard costs for a typical test.

Direct Materials (2 test tubes @ RM1.46 per tube)	RM2.92
Direct Labor (1 hour @ RM24 per hour)	24.00
Variable overhead (1 hour @ RM6 per hour)	6.00
Fixed Overhead (1 hour @ RM10 per hour)	10.00
<b>Total standard cost per unit</b>	<b>RM42.92</b>

The lab does not maintain an inventory of test tubes. As a result, the tubes purchased each month are used that month. Actual activity for the month of November 2018, when 1,475 tests were conducted, resulted in the following:-

Direct Material (3,050 test tubes)	RM4,270
Direct Labor ( 1,550 hours)	35,650
Variable overhead	7,400
Fixed overhead	15,000

Monthly budgeted fixed overhead is RM14,000. Revenues for the month were RM75,000 and selling and administrative expenses were RM5,000.

**Required:**

- Compute the price and quantity variance for direct materials and direct labor.  
(8 marks)
- Compute the total overhead variance.  
(4 marks)
- Prepare the income statement for Sino Lab Sdn. Bhd. under a standard cost accounting system.  
(8 marks)

**[TOTAL 20 MARKS]**

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